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Prime Minister's schedule, December 13

NIKKEI (Page 2) (Full)  
December 14, 2007

08:04

Met Deputy Chief Cabinet Secretary Iwaki at the Kantei.

09:00

Attended an Upper House Foreign Affairs and Defense Committee meeting.

12:47

Met Assistant Deputy Chief Cabinet Secretary Saka at the Kantei.

14:30

Met former education ministers Nakayama and Kawamura and former senior vice education minister Shionoya, followed by FIFA Chairman Blatter.

15:09

Met Vice METI Minister Kitabata, Industrial Science and Technology

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Policy and Environment Bureau chief Ishida, and Resources and Energy Agency Director General Mochizuki.

16:09

NATO Secretary General de Hoop Scheffer, followed by LDP General Council Chairman Nikai, and Lower House members Kazuo Aichi and Tetsuma Esaki.

17:25

Attended an Intellectual Property Strategic Headquarters meeting.

17:49

Met Chief Cabinet Secretary Machimura.

18:02

Attended an Education Rebuilding Council meeting.

18:28

Dined with Japan Business Federation Chairman Mitarai and others at the Grand Prince Hotel Akasaka.

20:19

Returned to his residence in Nozawa.

4) Yomiuri-Gallup poll: Japan-U.S. ties rated worst

YOMIURI (Page 1) (Full)  
December 14, 2007

The Yomiuri Shimbun and the Gallup Organization, a U.S. pollster, conducted a joint public opinion survey in mid-November. In the survey, Japanese and American respondents were asked if they thought Japan-U.S. relations are currently in good shape. To this question, those who answered "yes" totaled 39 PERCENT in Japan and 46 PERCENT in the United States. The figures were respectively down 14 and 15 percentage points from last year's survey. Both figures are lower than those in the previous telephone-based surveys conducted in 2000 and after. The survey this time shows that the public sentiment toward Japan-U.S. relations has worsened in both countries.

Meanwhile, those who think Japan-U.S. relations are in bad shape totaled 32 PERCENT in Japan (23 PERCENT last year) and 10 PERCENT in the United States (7 PERCENT last year). In Japan, the proportion of those who think Japan-U.S. relations are in bad shape topped 30 PERCENT for the first time since 2000. Those who "can't say which" accounted for 23 PERCENT in Japan (20 PERCENT last year) and 31 PERCENT in the United States (24 PERCENT last year).

In the survey, Japanese and American respondents were also asked if they trusted each other's country. In Japan, the proportion of those negative topped that of those affirmative, with a total of 54 PERCENT saying they do not trust the United States and a total of 34 PERCENT saying they do. Negative answers outnumbered affirmative

ones for the fifth year in a row. In the United States, those who trust Japan (totaling 61 PERCENT ) outnumbered those who do not (30 PERCENT ). However, the proportion of those who trust Japan was down 15 points from last year. The proportion of those who do not trust Japan was up 9 points.

The public view and trust of each other's country worsened in the survey this time. This seems to reflect a growing gap over North Korea and the Maritime Self-Defense Force's pullout from its

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refueling activities in the Indian Ocean.

5) NATO pins hopes on Japan's refueling operations: Secretary general hold talks with premier

ASAHI (Page 4) (Full)  
December 14, 2007

Prime Minister Fukuda yesterday met with visiting North Atlantic Treaty Organization (NATO) Secretary General Jaap de Hoop Scheffer at the Prime Minister's Official Residence (Kantei). Touching on Japan's refueling assistance operations in the Indian Ocean, Fukuda told de Hoop Scheffer, "We are making our utmost for passage of a new bill aimed at resuming the operations at an early date." The secretary general expressed expectations for Japan's contributions

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to the war on terror, saying, "We highly appreciate Japan's precious assistance to NATO member nations through its refueling operations."

The secretary general noted that NATO has launched a dialogue with China. Fukuda responded, "It is important for NATO to take an interest in China and Asia. Japan will also strengthen its relations with China."

The secretary general also met with Foreign Minister Koumura and Defense Minister Ishiba the same day.

6) Aegis info leak: Arrested commander was aware that it was special defense secret

NIKKEI (Page 43) (Abridged slightly)  
December 14, 2007

Sumitaka Matsuuchi, a Maritime Self-Defense Force lieutenant commander stationed at the Yokosuka base, has been arrested on suspicion of violating the Law Concerning the Protection of Secrets for the Japan-U.S. Mutual Defense Assistance Agreement, in connection with the case in which pivotal data on the Aegis system circulated within the MSDF. It became clear yesterday that he has admitted to the Kanagawa prefectural police and the MSDF Criminal Investigation Command that he had been aware that (the leaked data) was a special defense secret.

According to investigation, Matsuuchi used to engage in the development of ship systems as a member of the programming unit (currently the ship development unit) that compiled the data on the Aegis system, a special defense secret that must not be leaked under the law.

Police and other authorities think Matsuuchi was authorized to handle special defense secrets. His statement seems to back that up.

Under the law based on the Japan-U.S. Mutual Defense Assistance Agreement, ship and aircraft structures and their efficiency provided by the United States are classified as special defense secrets that must not be leaked. In the event a person handling

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special defense secrets leaked such secrets, he could face a prison term of up to 10 years.

Matsuuchi allegedly copied the data into a CD around August 2002 and

sent it to a 43-year-old lieutenant commander, who was an instructor

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at the MSDF's First Service School (Etajima, Hiroshima Prefecture), via the internal mail system.

Matsuuchi also indicated that he had given the data at the request of the lieutenant commander. Prefectural police and other investigative authorities are trying to find out how the information leaked out and how it spread within the MSDF.

7) Ishiba describes Aegis info leak incident as extremely regrettable

MAINICHI (Page 31) (Full)  
December 14, 2007

In the wake of the arrest of a Maritime Self-Defense Force lieutenant commander in connection with the Aegis data leak incident, Defense Minister Shigeru Ishiba held a press conference yesterday. He said: "The matter concerns the foundation of the Japan-U.S. alliance; it is extremely regrettable." Ishiba also indicated that he will take disciplinary action against persons concerned, saying, "A lack of awareness of information security or lax discipline is a grave problem."

8) Prime Minister Fukuda critical of intelligence leaks, calls the Defense Ministry "shameful" (Nikkei)

NIKKEI (Page 2) (Full)  
December 14, 2007

Prime Minister Yasuo Fukuda yesterday commented on the arrest of a Maritime Self-Defense Force lieutenant commander for the leakage of material with key information about the Aegis ship: "What in the world system do they have to let vital defense intelligence leak out so simply? I think it is shameful." He was responding to a question from the press corps.

9) MSDF top brass to quit over misconducts

SANKEI (Page 1) (Full)  
December 14, 2007

The Maritime Self-Defense Force's top brass officer, Eiji Yoshikawa, has made up his mind to resign as MSDF chief of staff, sources revealed yesterday. Yoshikawa will take responsibility for MSDF personnel's misconducts, such as leaking classified data about an Aegis-equipped ship and covering up a mistaken amount of fuel supplied by an MSDF vessel in the Indian Ocean, according to the sources. He is expected to be replaced in March next year.

In the information leakage incident, Sumitaka Matsuuchi, an incumbent MSDF officer in the rank of lieutenant commander, was arrested yesterday by Kanagawa prefectural police and MSDF shore police on the charge of violating an information security law relating to a mutual defense assistance agreement between Japan and the United States.

According to informed sources, leaked information contained classified data about missile defense systems. The incident marred the United States' trust of the MSDF. The United States is Japan's ally. In particular, the MSDF is closely related with the U.S. Navy. Considering these facts, the Defense Ministry recognized the need for it to take some action in order to recover the United States'

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trust. Yoshikawa, who became MSDF chief of staff in August last year, is highly likely to be replaced.

In addition, the MSDF covered up a mistaken amount of fuel supplied by its vessel in the Indian Ocean and mistakenly scrapped vessel logbooks. These are related to civilian control and archives. Police authorities are still investigating the truth about those scandals.

The Defense Ministry will release a fact-finding report of investigations within the year, according to Defense Ministry and MSDF officials. The Defense Ministry is expected to announce preventive steps and punish those involved in January next year or after. After paving the way to prevent such scandals, the MSDF chief of staff will step down. He is likely to be replaced with Vice Adm. Yoji Koda, commander-in-chief of the Self-Defense Fleet.

10) Prosecutors to re-arrest Moriya, judging over 3 million yen sent to family members' accounts as bribes; U.S. law enforcement asked for investigative cooperation

MAINICHI (Page 31) (Excerpts)  
December 14, 2007

The special investigation squad of the Tokyo District Public Prosecutors Office seems to have decided to re-arrest early next week former Administrative Vice-Defense Minister Takemasa Moriya, 63, on suspicion of taking bribes totaling over 3 million yen from defense contractor Yamada Corp. Yamada allegedly sent the money to bank accounts held by Moriya's family members. A certain amount of money was remitted to a bank account opened in the United States in the name of his second daughter. The special investigation squad has asked U.S. law enforcement for investigative cooperation.

According to an informed source, former Yamada executive Motonobu Miyazaki, 69, who was re-arrested on suspicion of giving bribes, instructed former Yamada U.S. subsidiary president Osamu Akiyama, 70, who was indicted on corporate embezzlement, to send over 3 million yen to the Moriya side from the slush funds in the United States. At Miyazaki's instructions, Akiyama allegedly sent several hundred thousand yen to an account held by Moriya's wife Sachiko, 56, under arrest on suspicion of taking bribes, every time she asked for money for paying tuitions, oversea travel expenses, and the like.

It has also become clear that cash in U.S. dollars has been remitted to the U.S. bank account held by Moriya's second daughter, who was studying English in the United States. Requesting investigative cooperation of U.S. law enforcement, the special investigation squad seems to be investigating money transfers between bank accounts in the United States.

11) Extended Diet session a double-edged sword for the ruling camp: Pension issue, Defense Ministry scandals bound to be pursued

TOKYO SHIMBUN (Page 2) (Excerpts)  
December 14, 2007

The government and ruling parties have decided to re-extend the current extraordinary Diet session until Jan. 15 next year in order to enact a new antiterrorism special measures bill to allow the Self-Defense Force to resume its refueling activities in the Indian Ocean. But with identifying the 50 million pension accounts that

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remain missing running into trouble, coupled with the series of bribery scandals involving the Defense Ministry, the government and ruling coalition by extending the session have given the opposition camp more chances to pursue them. The government and ruling bloc face a severe atmosphere in the Diet straight through the New Year.

"The campaign pledge did not come to my mind immediately," said Prime Minister Yasuo Fukuda yesterday in a House of Councillors Foreign Affairs and Defense Committee session. He responded this way to a question about his remark on the pension-record fiasco: "Is failing to fulfill a campaign pledge such a serious matter?"

In a House of Representatives Budget Committee session in January 2003, former Prime Minister Junichiro Koizumi, when asked about his government's failure to fulfill its pledge not to issue more than 30 trillion yen in government deficit bonds, quipped: "That's not such a big deal." His remark gave the opposition a golden opportunity to attack the government and ruling coalition. Fukuda's remark is reminiscent of Koizumi's famous slip of the tongue.

The pension issue, in which voters have a strong interest, is another unlucky development for the ruling camp. The long-running pension fiasco hurt the ruling parties in the 2004 and 2007 Upper House elections, going down to defeat to the main opposition party Democratic Party of Japan (DPJ or Minshuto). If the broken pledge and pension fiasco form a synergistic effect, the re-extension of the Diet session will be a double edged sword for the ruling camp.

Chief Cabinet Secretary Nobutaka Machimura, who has come under fire for his remark that the government never pledged to completely identify every last person and last yen by the end of next March, offer an apology in a meeting of his faction: "I apologize for causing trouble by my insufficient explanation. I will deal with this matter as sincerely as possible." Liberal Democratic Party (LDP) Secretary General Bunmei Ibuki expressed his resolve in his faction's meeting, saying: "Three months are left until March. I will do my best until the last minute." The two were desperate to assuage criticism of the government and ruling camp.

Another source of trouble is the bribery scandal involving a former administrative vice defense minister. If the investigation expands to political circles, it will deal a serious blow to the Fukuda government. A mid-level LDP member pointed out: "I wonder whether the new refueling bill should be enacted even by re-extending the Diet session." A senior New Komeito member said: "It is a significant decision. We will see if it was a good one or not."

DPJ Secretary General Yukio Hatoyama took a stance of opposing a re-extension of the session, saying: "The government is responsible for fiddling around for two months." The opposition, however, actually seems to be waiting for the re-extension.

12) New Komeito concerned about political situation after re-extended Diet session

MAINICHI (Page 5) (Full)  
December 14, 2007

It was decided yesterday that the current extraordinary Diet session would be extended again until Jan. 15 next year. With an eye on avoiding an early dissolution of the House of Representatives and a snap general election, the New Komeito, which had been reluctant to

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re-extend the extra Diet session, accepted the re-extension of the session in consideration of the government and the ruling Liberal Democratic Party (LDP), which are only focused on the passage of the new antiterrorism special measures bill. However, if the bill is put to a second vote at the Lower House, (overriding the Upper House's rejection,) the Democratic Party of Japan (DPJ or Minshuto) and other opposition parties may submit a censure motion against Prime Minister Yasuo Fukuda. Since the party's concern about the possibility of a Lower House dissolution still remains, the New Komeito will continue to face a tough political situation.

"It means we have crossed the Rubicon," said a senior New Komeito member to reporters after a meeting of the secretaries general of the ruling and opposition camps, in which the ruling coalition conveyed its decision to re-extend the extra Diet session to the opposition camp.

Until immediately before accepting the re-extension idea, senior New Komeito members were fretting over how to clear three conditions: whether to enact the new antiterrorism bill or not; how to avoid a dissolution of the Lower House; and whether a regular Diet session could be convened smoothly.

Since Prime Minister Fukuda pledged in his summit meeting with U.S. President George W. Bush to do his best to enact the bill, if the bill is not passed through the Diet, the government will suffer a serious blow, and the New Komeito, the junior coalition partner of the LDP, will feel the backlash. Therefore, the New Komeito had no choice but to accept Fukuda's decision on the re-extension.

Meanwhile, election cooperation between the LDP and New Komeito has

not moved forward. The candidate backed the two countries was defeated in the mayoral election of Osaka City. The religious sect Soka Gakkai, the New Komeito's chief supporter, has given a warning since the April unified local elections: "The New Komeito must avoid an early dissolution of the Lower House."

In order to coordinate their views of the political situation, Fukuda and New Komeito leader Akihiro Ota had a two-hour meeting on the night of Dec. 11. Ota said that his intention to prevent the Lower House from dissolving was understood by Fukuda. He noted: "I said that it would be desirable to dissolve the Lower House next fall or after. I think the Prime Minister has already been aware of that." A senior New Komeito member told the press yesterday: Even if a censure motion against the Prime Minister is submitted, unless he has the resolve to pass the budget, the bill will not be readopted in the Lower House." He commented that Fukuda's decision led to the New Komeito's approval.

However, it is uncertain how the political situation will develop after the re-extended Diet session. The DPJ and other opposition parties will inevitably step up their offensive over the pension fiasco and other issues. There is no way to predict how investigations on the Defense Ministry by the special investigation squad of the Tokyo Public Prosecutors Office will develop.

There is concern about the future course of the political situation, with one New Komeito member saying: "We really don't know what will happen two weeks and one month from now."

13) Fukuda administration as part of new growth strategy proposes Asia Community, centered on cooperation in environment area

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NIKKEI (Page 1) (Full)  
December 14, 2007

The government yesterday outlined a new economy-growth strategy to be advocated by Prime Minister Yasuo Fukuda. In it, the prime minister will propose establishing an Asia economic and environmental community in which Japan will cooperate with Asian in protecting the environment and intellectual property and in saving energy in a bid to grow the regional economy. As domestic measures, the strategy places emphasis on efforts to increase job opportunities and demand by strengthening cooperation between urban and rural areas, as well as between big and small businesses. By taking these measures, the administration aims to keep the nation's real growth rate at more than 2 PERCENT over the next decade despite the nation's declining birth rate.

In a meeting of the Council on Economic and Fiscal Policy today, Economy, Trade and Industry Minister Akira Amari and State Minister in Charge of Economic and Fiscal Policy Hiroko Ota will spell out their respective basic views about the new strategy. The government will compile by next January a mid-term guideline for economic management that will include strategic growth measures. The prime minister instructed in a meeting of the economic council on Nov. 8 that the panel draw up a new growth strategy.

The new strategy puts forward ways to beef up Japan's economic growth potential through cooperation with Asia. In particular, the strategy focuses on cooperation in making rules to protect the environment and intellectual property, as well as to conserve energy. For these areas, proper systems have yet to be prepared. As an energy-conservation measure, for instance, the new strategy proposes creating a fund invested by Japanese government-affiliated financial institutions and companies and investing in projects designed to save energy or to develop new energy sources. It also suggests Japan's support for creating a system for energy-saving.

Japan will also aim to improve the environment for Japan's investment in Asia by introducing common rules through cooperation in setting up economic systems. The strategy envisions the establishment of an Asia economic and environmental community that includes China, South Korea, India, and the Association of Southeast Asian Nations (ASEAN) in 2018.



As domestic measures to narrow the income discrepancies between urban and rural areas, and between big and small companies, the strategy stresses the importance for both sides to share information and personnel. Specifically, the administration proposes introducing the regional system and a mechanism to enable those who retired from big companies to get new jobs at small companies in small cities. The Council on Economic and Fiscal Policy will include the measures in the strategy in its annual economic and fiscal policy guidelines for 2008.

14) Ruling party guidelines for tax code revision leave out drastic tax system reform policy: Consideration given to local areas with eye on next election

ASAHI (Top Play) (Excerpts)  
December 14, 2007

The Liberal Democratic Party (LDP) and the New Komeito yesterday

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adopted their ruling-party guidelines for tax code revisions for fiscal 2008. They made a strategic move for a future tax hike by incorporating a phrase into the package that the consumption tax will be made a major fiscal resource to finance increasing social security expenses. However, neither the margin of the envisaged hike or a timetable has been included. The government's and the ruling parties' policy of realizing a drastic reform of the tax system, including the consumption tax, possibly in fiscal 2007 has thus been put on the back burner. Their policy of calling on opposition parties, such as the Democratic Party of Japan (DPJ or Minshuto), to take part in tax system discussions has been included in the guidelines with the opposition camp's dominance in the Upper House taken into account.

Following the adoption of the guidelines, the government will introduce related bills to the regular Diet session next year. The DPJ also plans to compile its own tax code reform guidelines possibly next week. Differences in the views of the ruling and opposition parties are already surfacing over the handling of specific road-construction revenues and some other issues. Fierce debate is expected.

The major issue in the debate on the tax system is the handling of the consumption tax. The guidelines characterized the consumption tax as a major fiscal resource to cover the cost of the payments of social security benefits, such as pension benefits, and medical and nursing-care services, and measures on the declining birthrate. The LDP Fiscal Reform Study Council, chaired by Kaoru Yosano, proposed turning the consumption tax into a social security tax. Part of this idea was adopted in the guidelines. The aim is to lead a proposal for clear-cut usage of consumption tax revenues to a tax hike debate.

Though the panel called for raising the consumption tax to about 10 PERCENT by around 2015, the package did not include a specific margin of the hike.

Referring to a timetable for drastic tax system reform, including the consumption tax, LDP Tax System Research Committee Chairman Yuji Tsushima during a press conference indicated the idea of

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implementing such a reform in fiscal 2009. He noted, "Increasing the government share of contributions to the national pension system by fiscal 2009 is an unavoidable issue."

A central focus in the process of compiling the guidelines was consideration to regional areas aimed at the next Lower House election. Corporate tax revenues are concentrated in major cities, centered on Tokyo. The guidelines call for an increase in allocations to local governments by turning nearly half the corporate tax revenues or approximately 2.6 trillion yen, into a special local corporate tax starting in October 2008. The reallocation will start in fiscal 2009.

